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WINPAC FOR WALTER

E.O. 12958: N/A  
TAGS: [PARM](#) [PREL](#) [CWC](#)  
SUBJECT: CWC: WRAP-UP FOR TWO WEEKS ENDING JULY 11, 2008

REF: A. STATE 72706  
[1](#)B. THE HAGUE 569

This is CWC-32-08

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SUMMARY  
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[1](#)1. (U) This report covers the two weeks following Executive Council 53 (EC-53), from June 30 through July 11. Consideration of the draft 2009 budget began with preliminary consultations held on July 7 by the new budget facilitator. The facilitator for the Office of Internal Oversight (OIO) held two marathon consultations on July 1 and 7 in an effort to wrap-up the detailed examination of the OIO report and recommendations for 2007.

[1](#)2. (U) The Industry Cluster meeting on July 8 turned into a presentation by the Technical Secretariat (TS) on two recently-released papers on proposals to improve OCPF declarations. The facilitator for Article XI called a meeting on July 10 to introduce the new Head of the International Cooperation Branch and to discuss a proposed workshop on enhancing Article XI implementation. The European Union (EU) Counter-Terrorism Coordinator and a representative from the Spanish National Police made presentations at the July 10 meeting of the Open-ended Working Group (OEWG) on Terrorism.

[1](#)3. (U) The new coordinator for the Western European and Others Group (WEOG) held her inaugural meeting on July 1, which included a lengthy analysis and discussion of EC-53. The July 8 meeting of the WEOG bid farewell to a number of departing colleagues and focused industry-related issues.

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BUDGET CONSULTATIONS  
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[1](#)4. (U) On July 7, Budget facilitator Martin Strub (Switzerland) chaired a preliminary consultation on the draft 2009 budget. The Deputy Director-General

(DDG) highlighted some of the features of the draft budget: maintained balance between Chapter 1 and 2 expenses; increase in International Cooperation and Assistance (ICA) division funding; increase in OCPF inspections; improved implementation of results-based budgeting through introduction of key performance indicators. The DDG also noted that while the draft budget continues the trend of zero nominal growth (ZNG), the TS objective while drawing up the budget had been to meet all of its obligations rather than solely focusing on maintaining ZNG.

15. (SBU) Several WEOG delegations, Mexico, and China welcomed the TS's efforts to maintain ZNG. While WEOG delegations were receptive to the increase in ICA funding, South Africa and India (two proponents of greater ICA funding) were restrained to the point of caution, both saying that they want to see how the increased funding will be allocated and stressing the need for a holistic approach to assistance.

16. (U) France and Mexico questioned the 13% decrease in Verification; the DDG explained that this was due to moving the Equipment Store from the Verification Division to the Inspectorate. In response to India's concern over increasing OCPF inspections before having a thorough discussion of site selection methodology, the DDG recommended focusing on reducing the incidence of non-inspectable sites rather than capping the number of inspections.

17. (U) Delrep noted that the draft budget only provides funding for one meeting of the Scientific Advisory Board (SAB) despite previous indications that this would be increased to accommodate two meetings annually; the DDG stated that funding had been limited to only one meeting to "reflect the aggregate view" of all States Parties on the SAB. Delrep also asked about TS progress in implementing International Public Sector Accounting Standards (IPSAS) and whether enough resources had been allocated to fully implement IPSAS by 2010. The DDG responded that the number of personnel in the Administration Division working on IPSAS had been increased and that the new Head of Finance Branch has previous experience in IPSAS implementation; he also noted that the TS does not foresee needing any large platform changes as the current systems in place will be sufficient for IPSAS.

18. (U) Following on the model adopted by the budget co-facilitators last year, Strub distributed a schedule of consultations for September (sent by email to ISN/CB). He aims to meet twice a week and to focus on a different section of the budget relating to OPCW divisions at each meeting. Strub's plan to conclude consultations by October 1 will leave one week before EC-54 to finalize budget negotiations.

19. (SBU) COMMENT: Iran and Cuba were noticeably quiet during the meeting. Del later learned that the Non-aligned Movement (NAM) has not yet met to discuss the budget or adopt a common position on it. END COMMENT.

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OFFICE OF INTERNAL OVERSIGHT (OIO) CONSULTATIONS  
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10. (U) Facilitator Takayuki Kitagawa (Japan) convened more marathon consultations on the 2007 OIO Report (EC-53/DG.3) on July 1 and 8 in an effort to conclude the lengthy discourse that had erupted during the consultations held before and during EC-53. As in previous consultations, the bulk of questions came from South Africa, India, and Iran and focused on the ICA division's use of EU Joint Action

voluntary funds and the loss of cash by TS staff on official travel in Zambia.

¶12. (SBU) As the consultations wore on, the level of questioning verged on micro-management. However, the TS only exacerbated the situation by providing often contradictory or incomplete responses. Most noticeably, during the final meeting on July 8, key TS staff were not present, and the staff that did attend the meeting were unprepared to competently answer the questions posted by delegations.

¶13. (SBU) COMMENT: While the facilitator was able to gain agreement on noting the 2007 OIO Report at the next EC, NAM delegations made it clear that they will continue to come back to the report. In particular, they intend to use a number of the OIO findings in the upcoming budget negotiations to support their call for increased staffing and resources for ICA division. Also, growing frustration among delegations with the TS's perceived disinterest during the consultation process might lead to more micro-management in the future. END COMMENT.

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INDUSTRY CLUSTER  
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¶14. (U) On July 8, the scheduled Industry Cluster consultation was replaced by a TS presentation on the recently-released OCPF papers (EC-53/DG.11 and EC-53/S/5). With Amb. Benchaa Dani (Algeria, Industry Cluster Vice-Chair) noticeably absent, the Director-General (DG) chaired the meeting. Steve Wade (Head, Declarations Branch) made a presentation on measures the DG will implement to enhance OCPF declarations (as enumerated in EC-53/DG.11). Bill Kane (Head, Industry Verification Branch) followed with a presentation on the TS's suggestion that States Parties provide additional information on plant characteristics in OCPF declarations (EC-53/S/5).

¶15. (U) In his opening remarks, the DG explained that he removed Sampling and Analysis from the agenda to focus only on the two OCPF-related papers. A number of delegations indicated their desire to discuss Sampling and Analysis, and the DG confirmed that Sampling and Analysis would be addressed at the next Industry Cluster meeting. (Note: The next Industry Cluster meeting is expected to be scheduled for September though a firm date has not been set.)

¶16. (SBU) South Africa's comments were surprisingly positive, with statements that the TS's suggested introduction of subcategories for Standard International Trade Classification (SITC) codes could be expanded to allow for greater differentiation and that the proposed additional reporting would not pose a burden to South Africa's industry or National Authority. India, meanwhile, reiterated previous concerns raised during the Second Review Conference (RevCon) that its National Authority and industry would be burdened by any additional reporting requirements. India also expressed concerns about any attempt to amend SITC codes, which it noted would be outside of the OPCW's purview. Wade responded that the TS's introduction of subcodes was limited to use in the context of CWC declarations and would not impact other uses (e.g., trade) of the internationally-recognized standard.

¶17. (U) France and the Netherlands called for a TS evaluation of the projected impact of adopting the proposed measures, and France also requested an assessment of the new site selection methodology introduced at the beginning of 2008. The DG confirmed that the TS will assess the site selection methodology after the end of the year but shared his

view that the changes have been positive so far.

¶18. (U) A number of delegations expressed their intent to implement the proposed voluntary measures in EC-53/DG.11 in order to reap any possible benefits. Japan and China both noted the need for time to implement the measures, suggesting that the TS use the additional data only for site selection after 2010. In response to Japan's question on when the Declarations Handbook would be updated, Wade said it was currently under review and should be ready by the Conference of States Parties (CSP) in December. France suggested that the TS take advantage of the National Authorities meeting before the CSP to educate national authorities on the proposed enhancements; the Netherlands agreed that the enhancements need to be user-friendly and explained well to national authorities and other stake-holders.

¶19. (U) A number of delegations also noted the importance of assigning a value to the TS's proposed additional weighting factor "R" in the A-14 algorithm (EC-53/S/5). China stressed that the value of "R" should be discussed publicly and assigned with States Parties' agreement.

¶20. (U) Near the end of the meeting, Iran weighed in, stating a preference for an "incremental approach" and suggesting that it would be premature to adopt any new measures before assessing the impact of already-introduced OCPF-related changes.

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ARTICLE XI CONSULTATIONS  
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¶21. (U) On July 10, Article XI facilitator Li Hong (China) held a meeting to discuss the Cuban proposal circulated on June 20 (ref A) and other new working papers on Article XI. Zeljko Jerkic (new ICA Special Coordinator) introduced the new Head of the International Cooperation Branch (ICB), Kumaresh Misra. Misra, who most recently was a Joint Secretary in the Indian Ministry of Chemicals and Fertilizers, has extensive experience in the Indian federal government, in addition to having worked in the private sector and at the UN Industrial Development Organization (UNIDO) in Vienna, and having taught at Boston University. He said he plans to focus on expanding ICA's outreach to chemical industry.

¶22. (U) In response to previous requests, the TS distributed a table detailing the breakdown in funding for all of ICB's programs in 2007. Misra commented that despite only spending 82% (1.1 million euro) of its allocated 1.3 million euro from the regular budget, voluntary contributions of around 478,000 euro meant that ICB actually spent 17% more than originally planned on programs in 2007. In response to a request from South Africa, Misra promised to provide a projected breakdown of ICB activities for 2009 in advance of the September budget consultations.

¶23. (U) Turning to Cuba's proposal for a workshop on Article XI, discussion focused mostly on when to hold the workshop. Many delegations supported planning it in conjunction with other events (such as the CSP or National Authorities meeting). Cuba said that sufficient time would be needed to plan for an effective workshop; while agreeing that the CSP and National Authorities meeting would be good venues for brainstorming about the workshop, Cuba suggested that it be scheduled for some time in 2009. Germany, the Netherlands, and Italy all agreed with Cuba's proposal that participation should be expanded to include all stake-holders.

¶24. (U) Iran insisted that any workshop would be informal and not supersede the formal consultation process. Iran stressed that the Cuban proposal should not detract from full implementation of Article XI and said that a more pressing need was for the TS to compile a list of States Parties' proposals and ideas.

¶25. (U) The UK signaled its support for the Cuban proposal, noting that the workshop would be a good way to raise fresh ideas on Article XI and that it would be a useful forum for identifying goals and discussing how to achieve them. The UK also announced that it would release a national paper on Article XI during the summer.

¶26. (U) Following up on the UK's comments, India announced that it is finalizing a national paper with concrete ideas on Article XI implementation. The Indian paper will propose a reorientation of ICA activities, to include:

- outreach to stake-holders through national authorities;
- increased opportunities for industry to share views and experiences on development, chemical safety and handling of hazardous materials, and compliance with regulations (including the EU's new REACH regulation);
- creating a network of laboratories working on CWC-related issues and developing laboratories akin to Finland's VERIFIN;
- fostering research and supporting academic work, including for example, replacing the use of scheduled chemicals with non-scheduled chemicals.

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TERRORISM OPEN-ENDED WORKING GROUP  
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¶27. (U) On July 10, French delegate Annie Mari chaired a meeting of the Terrorism OEWG. The Director-General and Mari opened with introductory remarks, followed by presentations by Gilles de Kerchove, EU Counter-Terrorism Coordinator, and Pedro Rios Calvo, Spanish National Police Force representative.

¶28. (U) The DG expressed the OPCW's appreciation for the EU's leadership role and contributions, particularly with regard to EU Joint Action assistance. He then reviewed terrorism-related language from the RevCon report, noting the "very strong endorsement" of the OEWG's work. Mari built on the DG's review of the RevCon report and also reminded the group of previous experts who have spoken to the OEWG. She recommended that in order to build on synergies between counter-terrorism and assistance and protection, the OPCW should pursue another large-scale exercise similar to Joint Assistex 2005 in Ukraine, and called upon States Parties to provide suggested dates and locations. Mari also noted that the TS could continue to work on capacity building for assistance and protection in the context of public events, as outlined in the RevCon report. Finally, she suggested that the topic of "Responsible Care" could be further explored with organizations such as the European Chemical Industry Council (CEFIC).

¶29. (U) De Kerchove provided an interesting and fairly detailed overview of current EU counter-terrorism efforts, and noted the fact that much of the policy is still being developed. He explained that his role as coordinator is to: ensure that the EU counter-terrorism strategy adopted in 2005 is implemented in a timely manner; to ensure that the European Commission, Council and Parliament work



together smoothly in this area; and, to ensure that counter-terrorism remains high on the EU's foreign policy agenda.

¶30. (U) De Kerchove was quite frank about the difficulties in coordinating counter-terrorism policies among the EU member states, particularly in such sensitive areas as data collection. He suggested that the EU must often take a more supportive, rather than directive, role in working with members on counter-terrorism. He went on to explain that, following the Madrid attacks, the EU developed more of a common strategy in this area, and "rebalanced" its approach to one of four pillars: pursue, prevent, protect and respond.

¶31. (U) De Kerchove highlighted several areas of cooperation and developing discussions within the EU, including the effort to expand the definition of terrorism to incorporate public provocation (e.g., internet sites designed to encourage/incite terrorist activities); replacement of a number of complicated extradition laws with the European arrest warrant; and, the interconnection of European databases on information from DNA to mobile phone records. He also pointed out that the Schengen free movement area has meant that increased attention must now be paid to the area's external borders. On the protection of critical infrastructure, he noted that the EU has chosen first to focus on energy and transport infrastructure as the most critical.

¶32. (U) De Kerchove stated that the evaluation of the threat of chemical terrorism was difficult. He did note, however, that since 2004 the EU has had a pool of experts from intelligence, emergency response, police, and other areas sharing information and assessing the various aspects of chemical, biological, radiological, and nuclear (CBRN) threats. Looking to the future, an EU CBRN task force was formed several months ago, with the goal of preparing a policy package by 2009. The group is to start its analysis of the chemical piece in October, and de Kerchove suggested that it might be very useful for the OPCW to participate in discussions. Citing the work of an EU special committee on explosives in evaluating the aspects of better common security practices, oversight of suspicious transactions, and research and development in detection, de Kerchove suggested that a similar group might be formed to study chemical precursor security.

¶33. (U) In terms of OPCW contributions to countering chemical terrorism, de Kerchove noted that the most important contributions would be universal adherence to the Convention, effective national implementation (calling for capacity building in this area), an enhanced verification regime, and an effective dialogue with industry.

¶34. (U) Spanish National Police representative Pedro Rios Calvo then briefed the OEWG on his unit's efforts in detecting, investigating, and responding to CBRN incidents. Calvo noted that his unit also is charged with gathering evidence for the judicial system. In order to respond to any incident within one hour, CBRN specialists are spread across Spain, the Canary Islands, and North Africa. The unit engages in technical operations, training, research and development, and international cooperation. Spanish authorities work with counterparts in South and Central America to provide training in CBRN detection and response. Spain also partners with France, Germany, and Portugal in a system that provides early warning to all member states of any loss of or incident involving sensitive items or substances. Mari noted that the Spanish National Police Force's efforts in capacity building and early

warning might provide an opportunity for cooperation with the OPCW.

¶35. (U) During the question and answer session following the presentation, delegations had a number of questions for the EU counter-terrorism coordinator. Several questions dealt with the criminalization of acts of chemical terrorism; de Kerchove responded by reiterating the EU's broad definition of terrorism and noting that serious crimes such as these could be punishable by severe sanctions. U.S. Del and Germany both asked what future cooperation the EU foresaw in areas of common interest with the OPCW. De Kerchove returned to his earlier statement that implementation, expertise, and dialogue with the private sector would be most effective, but also noted that this area required further exploration, set to occur when the CBRN task force convenes later this year. He reiterated his invitation to the OPCW to participate in these discussions. Implying inappropriate expansion beyond the mandate of the OEWG, India called for more information on the TS's work in counter-terrorism. The DG noted that the report of the Organization for 2007 contained detailed information, and that the TS would follow the RevCon's mandate for the remainder of its work in 2008.

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WEOG  
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¶36. (U) On July 1, Ruth Surkau (Germany) chaired her first WEOG meeting after assuming the role of WEOG coordinator from Annie Mari (France). She reported on her contacts with other regional group coordinators, noting that Brazil is the new GRULAC coordinator and that Estonia will take over as Eastern European coordinator. Most of the discussion focused on delegations' review of EC-53, in addition to some discussion on the upcoming budget and industry meetings.

¶37. (SBU) There was general agreement that EC-53 had been surprisingly successful and that Amb. Tomova had done extremely well as the new chair. A number of delegations also commented on Mexico's statement about voting and the abuse of consensus, indicating its importance in provoking discussion. Most delegations also commented on Iran's role, including its general lack of NAM support and its less combative -- even quiescent -- manner. Germany reported that as the Asian Group's representative on the Executive Council's Bureau, Iran was consumed with defending its national interests rather than attempting to speak on behalf of the Asian Group. The UK noted that the Iranian delegation had appeared to be particularly disorganized during the EC.

¶38. (SBU) Amb. Javits raised the issue of the increase in OCPF inspections in the draft 2009 budget and said that he had not heard much reaction to the proposal. He noted that WEOG will need to be open to engaging in renewed consultations on site selection to order to gain support for having additional inspections. Amb. Javits also suggested that, with its new engagement in the OPCW, Brazil might make a good facilitator on OCPF site selection.

¶39. (SBU) On July 8, WEOG met to discuss the industry consultations and review the initial budget consultation. WEOG Coordinator Ruth Surkau (Germany) opened the meeting with a round of farewells to departing colleagues, including thanks and recognition to departing Delrep Larry Denyer for all of his work on industry issues. (NOTE: In his farewell remarks, Amb. Maarten Lak (Netherlands) shared his view that in recent years the EU has

become equally as important as WEOG in the OPCW. END  
NOTE.)

¶40. (SBU) Most of the morning's discussions focused on the upcoming industry meetings. Several delegations noted their dissatisfaction with the DG's last minute decision to cancel the planned discussion on Sampling and Analysis and that the meeting had been scheduled on a day when Amb. Dani (Algeria, Industry Cluster Vice-Chair) was unable to attend. Martin Strub (Switzerland) noted that the discussion on Sampling and Analysis would not take place until after the topic was introduced in the budget consultations, which he felt would likely further complicate the already contentious issue of inspection numbers and allocations.

¶41. (SBU) Drawing on guidance (ref B), Delrep noted that while the U.S. welcomed the initiatives proposed by the TS, there were some doubts as to how the proposal on the introduction of a new weighting factor could be implemented. This led to questions regarding the effectiveness of a system in which not all States Parties were providing the same information. Delrep also noted that the issue of timeliness needed to be separated from the content of declarations. Germany expressed its concern that additional reporting elements could actually result in an increase in the number of incorrect declarations, and also questioned how this might actually reduce the number of declarable sites. The UK offered support for the DG's gradual introduction of new elements, suggesting that his approach was probably meant to allay the concerns of many delegations that he was overstepping his bounds on issues related to OCPF inspections. Amb. Lak suggested that WEOG delegations think tactically about the timing of various elements of the OCPF discussions.

¶42. (SBU) Strub spoke briefly about his first budget meeting July 7, noting in particular that the NAM and Iran had remained silent, and that he fully expected comments from India and China as the process moved forward. The group also discussed the previous day's OIO consultations. There was general agreement that the TS had come to the meeting poorly prepared, and that its inability to answer questions only served to raise suspicions, particularly among NAM delegations.

¶43. (SBU) COMMENT: Surkau's assumption of the WEOG coordinator role on July 1 has already led to a marked improvement in the tone and focus of WEOG meetings. Surkau is efficient, organized, and detailed in her preparation and already reaching out to her fellow regional group coordinators. END  
COMMENT.

¶44. (U) Granger sends.  
Gallagher